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Administrative expenses of the United Nations Joint Staff Pension Fund

Second report of the Advisory Committee on Administrative and Budgetary Questions

Addendum

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Standing Committee of the United Nations Joint Staff Pension Board on the administrative expenses of the United Nations Joint Staff Pension Fund (A/54/206). During its consideration of this item, the Advisory Committee met with the Chairman of the Standing Committee of the Pension Board, the Secretary of the Pension Board and, with regard to investments of the Pension Fund, with the representatives of the Secretary-General.

2. The report of the Standing Committee of the United Nations Joint Staff Pension Board is submitted pursuant to the decisions of the General Assembly contained in its resolution 46/220 of 20 December 1991. The report includes the revised estimates for the biennium 1998-1999, the budget proposal for the biennium 2000-2001 and a request for authorization for contributions to the Emergency Fund for the biennium 1998-1999 (A/54/206, para. 3).

3. The Advisory Committee welcomes the inclusion of workload indicators in the report; in the future these statistics should be analytically linked to the request for resources. Furthermore, the Committee recommends that efforts be made to streamline the report by having more focused and concise narratives and that a distinction be made between the functions carried out in New York and Geneva. The Committee notes some imprecision in various categories of expenditure with regard to the "recosted" and "current" rates of the resource requirements for the biennium 2000-2001. For example, the resource requirements set out in various paragraphs of section VI of the report represent "recosted" rates and not "current" rates. This should be clarified in the future.

II. Revised budget estimates for the biennium 1998-1999

4. The Standing Committee approved the submission to the General Assembly of the revised estimates for expenses chargeable to the Fund for the biennium 1998-1999

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amounting to $57,514,000 (A/54/206, paras. 16-21). This includes an increase of $3,282,800, or 6.1 per cent over the revised appropriations of $54,231,200, approved by the General Assembly in its resolution 53/210 of 18 December 1998, and $7,444,500, or 14.9 per cent over the initial budget of $50,069,500 for the biennium 1998-1999 approved by the General Assembly in resolution 52/222 of 22 December 1997.

5. As indicated in paragraphs 22 to 33 and annex II of the report, the additional resources of $3,282,800 relate to additional requirements for the Investment Management Service. These include an increase in advisory and custodial fees of $2,563,100 from $28,600,000 in the approved appropriations for the biennium 1998-1999 to $31,163,100 in the proposed revised estimates for 1998-1999. For the biennium 1998-1999, the revised advisory and custodial fees, based on a flat-fee arrangement, would amount to $14,561,900 million, for small cap funds to $6,208,500 and for custodians to $10,392,700. These two last are based on the market value of assets of the Fund (A/54/206, paras. 25 and 154).

6. The Advisory Committee notes the concern of the Standing Committee (A/54/206, paras. 74 and 75 and 77 (f)) regarding the level of the advisory and custodial fees and the presentation of the fee structure. The Committee notes that the Standing Committee recommended that a substantial change be made in future presentations of the budget estimates under investment costs so as to provide clear indications as to the costing factors utilized, including specific information on the assumptions made.

7. The Advisory Committee recalls that the responsibility for the investment of the assets of the Fund is vested in the Secretary-General, who is advised by the Investments Committee (see A/50/7/Add.1, para. 20). The representative of the Secretary-General informed the Advisory Committee that discussions were under way on possible new arrangements for estimating investment fees. The Committee was further informed that it was likely that not all the investment costs projected for the biennium 2000-2001 would be required in view of the current discussion on alternative arrangements. In this connection, the Advisory Committee concurs with the observations of the Standing Committee that the resources approved for fees could only be used for that purpose and that should there prove to be a reduction in those fees, there should be a corresponding reduction in that budget line (A/54/206, para. 77 (f)).

8. The Advisory Committee recommends that any proposed solution should take into account past experience and an analysis of future trends. The Committee further recommends that no further action be taken by the General Assembly on the level of fees, pending the conclusion of the above discussions between the Secretary-General and the investment advisers.

III. Proposed budget for the biennium 2000-2001

9. As shown in table 1 of the report, the proposed budget for the biennium 2000-2001 amounts to $62,324,900, comprising administrative costs of $18,534,400, investment costs of $42,992,700 and audit costs of $797,800.

10. Administrative costs would increase by $1,385,200 or 8.1 per cent, from $17,149,200 appropriated for the biennium 1998-1999 to $18,534,400 proposed for the biennium 2000-2001 (A/54/206, table 1). The Advisory Committee notes from paragraph 85 of the report that, as a percentage of the total pensionable remuneration for the biennium 2000-2001, administrative costs would represent 0.24 per cent, as compared to 0.23 per cent in the revised administrative costs for the biennium 1998-1999 and 0.21 per cent in the initial administrative costs for 1998-1999. The Committee recalls its concern as to the need to closely monitor increases in these costs (see A/52/519, paras. 21-23). In this connection, the Committee welcomes the intention of the Committee of Actuaries to monitor the actual progression in administrative costs over several years before determining the method and factors to be included in subsequent valuations (A/54/206, para. 88). The Committee was provided, upon request, with a table of annual statistics for the Fund for the years from 1996 to 1998 and a summary of its operations from 1971 to 1998 (see annex I to the present report).

11. For the biennium 2000-2001, under administrative costs, post requirements of the Fund secretariat, as proposed by the Chief Executive Officer of the Fund to the Standing Committee, would be 119 posts, as compared to 113 posts for 1998-1999 (A/54/207, paras. 67-69). The proposal includes the establishment of six new posts (1 P-4, 1 P-3 and 4 General Service), the conversion of seven temporary assistance-funded positions in the biennium 1998-1999 to established posts for the biennium 2000-2001 (2 P-3 and 5 General Service) and four reclassifications (1 P-5 to D-1 level, 2 P-4 to P-5 level and 1 General Service (other level) to General Service (principal level)).

12. As regards the request for six new posts, the Standing Committee recommended approval of the full quantum of additional resources requested for the new posts, but in the

form of general temporary assistance resources rather than new established posts, with specific earmarking as to the use of some of the additional temporary assistance funds (A/54/206, para. 77 (d)). For two of the posts proposed by the Chief Executive Officer of the Fund (1 P-3 in the Executive Office and 1 General Service in Executive Direction and Management), the Standing Committee discouraged the allocation of resources since they did not directly impact on the operational servicing functions of the Fund, but recommended that the resources for the posts be made available for further work on information technology and process re-engineering, subject to the Board's review of the strategic plan (A/54/206, para. 77 (d)). Upon request, the Advisory Committee was provided with a table, shown as annex II to the present report, summarizing the proposals of the Chief Executive Officer of the Fund and the posts recommended by the Standing Committee.

13. The Advisory Committee notes that, of the four posts proposed for reclassification, three have been reclassified at the proposed level by the Office of Human Resources Management (A/54/206, para. 77 (e)). With respect to the fourth post, the Committee understands that the Office of Human Resources Management has concluded that the classification of the post of database administrator in the Information Management Systems Section should be maintained at the P-4 level. The Committee was informed that the proposed administrative costs would be reduced by $23,800 for the biennium.

14. In view of the observations of the Standing Committee in paragraphs 77 (c) and 77 (d) of its report, the Advisory Committee recommends that the need for the permanent establishment of the four new posts recommended by the Standing Committee (1 P-4 and 3 General Service) and the possible authorization of two additional posts requested by the Chief Executive Officer of the Fund (1 P-3 and 1 General Service) be further examined upon the implementation of the recommendation of the Standing Committee in paragraph 77 (c). Pursuant to that recommendation, the Chief Executive Officer of the Fund was requested to provide a strategic plan to the next Board session that would address the inside and outside factors impacting the Fund's operations, and would provide an indication of the objectives and how to achieve them, including time-lines and milestones; he was also requested to provide a clear framework for the transfer of functions and the redeployment of posts from New York to Geneva (A/54/206, para. 77 (c)).

15. The Advisory Committee notes also that further enhancement of the role of the United Nations Office at Geneva would have to continue to be pursued in a phased manner (A/54/206, para. 45). In the view of the Committee, there is a need to be more transparent about the staff and non-staff costs for the Office at Geneva and the benefits of the transfer of functions from New York to Geneva. The Committee therefore believes that, before making further redeployments, a qualitative and quantitative analysis should be made of the cost-effectiveness of such transfers and staff redeployments. In this connection, the Committee agrees with the statement in paragraph 47 of the report, that any redeployments and the consequent revision of the staffing and other resources for the Geneva Office would be pursued over the next two biennia, with adjustments along the way in the light of experience.

16. As regards computer systems and operations, the Advisory Committee was informed that the Fund was satisfied with the services currently provided by the International Computing Centre at Geneva (A/54/206, paras. 51-58). The Board and the Standing Committee, however, had requested a study of options, including remaining with the International Computing Centre, self-reliance, using in-house client/server technology, or contracting out. The Committee is of the view that as long as the Centre is offering services that satisfy the Fund's needs, a change should only be made after careful examination of factors, such as the short and long-term capacity of the Centre, the short and long-term needs of the Fund and the related costs of the various options that are considered.

17. The issue of the Fund's office space in New York and Geneva is addressed in paragraphs 59-61 of the Standing Committee's report. Under the revised United Nations/Joint Staff Pension Fund cost-sharing arrangements, applied as from 1 January 1999, two thirds of the costs of space occupied by the secretariat of the Fund and the full cost of the space occupied by the Investment Management Service are charged to the Fund. As indicated in paragraph 59 and annex V of the report, during the biennium 1998-1999, the Fund occupied 24,170 square feet in New York (17,694 sq. feet for its secretariat and 6,476 sq. feet for the Investment Management Service) and 153 square metres in the United Nations Office at Geneva, for a total cost of $530,000. During the biennium 2000-2001, the Fund would occupy 26,061 square feet in New York (18,850 sq. feet for its secretariat and 7,211 sq. feet for the Investment Management Service) and 382.3 square metres, at a total cost of $1,402,400.

18. The Advisory Committee notes that it is the intention to maintain the Fund's administrative and investment operations together in New York and that additional space would be provided on the fifth and sixth floors of the Secretariat building, as soon as arrangements are made to

relocate the current occupants (A/54/206, para. 61). In view of the possibility of using new technology, the necessity to have the Fund's offices contiguous should be re-examined. In the opinion of the Committee, the growth in rental charges should be monitored and other options explored with a view to determining the best long-term solution. The Committee also requests that in future presentations of office space requirements comparable space measurement units be used, according to standards used in the United Nations.

19. The Advisory Committee also notes that the Chief Executive Officer of the Fund intends to pursue further the matter of delegation of personnel and procurement decisions (A/54/206, paras. 62-64). As the Fund does not have its own machinery for personnel and procurement actions, it utilizes the machinery established for those purposes by the United Nations, while safeguarding its separate and independent status, as an inter-agency entity, with its own Chief Executive Officer. The Advisory Committee was informed that the Fund had pursued and obtained approval of an arrangement under which the decisions on procurement matters would be taken by the Chief Executive Officer of the Fund, after considering the views and recommendations of the Procurement Division or the Committee on Contracts, rather than having those recommendations sent for decision to the official to whom the Secretary-General, as Chief Administrative Officer of the United Nations, has delegated such authority in respect of United Nations procurement. In the area of personnel decisions, arrangements similar to those followed in respect of procurement actions are being sought by the Chief Executive Officer of the Fund, including explicit inclusion in policies and procedures of the Office of Human Resources Management that recommendations of the United Nations appointment and promotion bodies with respect to personnel in the Fund secretariat are to be addressed to the Fund's Chief Executive Officer and recognition of the authority of the Fund to take decisions regarding the hiring of consultants and short-term staff, in accordance with the established procedures of the United Nations.

20. In this connection, it is the view of the Advisory Committee that delegation of authority should be based on the need to recognize the special status of the Chief Executive Officer of the Fund vis-à-vis the Secretariat of the United Nations and those of member organizations of the Fund.

21. The question of possible outsourcing to the secretariat of the Fund of local pension secretariat services now being provided by member organizations other than the United Nations is commented upon in paragraphs 65 and 66 of the Standing Committee's report. The Advisory Committee cautions against hasty decisions regarding this subject since the advantages and disadvantages of changing the current arrangements have yet to be examined carefully and in depth by the secretariats and legislative bodies of member organizations of the Fund.

22. Audit costs are discussed in paragraphs 10, 77 (g) and 164 to 166 of the Standing Committee's report. Under the revised United Nations/Joint Staff Pension Fund cost-sharing arrangements, approved by the General Assembly in its resolution 53/210 of 18 December 1998, for the biennium 2000-2001, one third of the audit costs that concern the administrative area are to be borne by the United Nations and the balance by the Fund. Total audit costs (internal and external) show an increase from $620,500, appropriated for the biennium 1998-1999, to $797,800, estimated for the biennium 2000-2001, a 28.6 per cent increase.

23. The Advisory Committee recalls that, under the revised cost-sharing formula between the United Nations and the Fund, the expected additional costs to be borne by the Fund amounted to $730,800 for the biennium 1998-1999 (A/53/511, para. 20). The Committee requests that in future budget submissions the additional costs to be borne by the Fund as a result of the application of the one-third/two-thirds formula (whereby one third of the costs are borne by the United Nations and two thirds by the Fund) be clearly indicated for the three major components of administrative expenses of the Fund, namely administrative costs, investment costs and audit costs.

24. Based on the comments and observations set out above, the Advisory Committee recommends that the appropriation for administrative expenses of the Fund be approved in the amounts of $57,514,000 for the biennium 1998-1999 and $62,301,100 for the biennium 2000-2001, taking into account a reduction of $23,800 for the exclusion of the reclassification of the post of database administrator to the P-5 level for the reasons given in paragraph 13 above. Furthermore, the Committee has no objection to the proposal by the Standing Committee to supplement the voluntary contributions to the Emergency Fund by an amount not exceeding $200,000 for the biennium 2000-2001 (A/54/206, paras. 167-170).

Annex I

Annual statistics (1996-1998) and summary of operations (1971-1998) of the United Nations Joint Staff Pension Fund

Table 1
Annual statistics for United Nations Joint Staff Pension Fund operations

	1996	*1997*	*1998*
	(millions of United States dollars)		
A. Market value of assets	16 913.4	18 526.3	21 795.9
B. Principal of the Fund	13 312.1	14 002.8	14 690.8
C. Contribution income	800.7	787.5	801.8
D. Benefit costs	915.0	883.7	928.0
E. C minus D	(114.3)	(96.2)	(126.2)
F. Number of participants	67 997	67 740	67 971
G. Number of periodic benefits	41 433	43 149	44 633
H. Ratio F:G	1.6:1	1.6:1	1.5:1
I. Staffing (number)[a]	136	136	138
J. Administrative expenses (including investment costs)	21 293.6	23 147.2	27 807.6

[a] Includes staff of the Investment Management Service.

Table 2
Summary of the operation of the Fund: 1971 through 1998

1	2	3	4	5	6		7
Year ending	*Assets in US$ - Principal of the Fund*	*Number of participants*	*Cumulative number of periodic benefits*	*Cumulative cost of periodic benefits US$*	*Annual withdrawal settlements*[b] *A. US$*	*B. Total*	*Total posts*[c]
Sept. 1971	622 011 280	34 860	5 303	14 655 927	5 485 473	2 746	39
Sept. 1972	712 062 485	36 768	5 894	19 010 212	6 184 851	2 683	46
Dec. 1973[a]	829 475 720	38 089	7 155	35 038 609	10 595 192	4 117	47
Dec. 1974	923 444 687	39 451	8 155	35 004 202	9 277 967	3 369	49
Dec. 1975	1 089 776 538	42 592	9 070	45 395 136	8 375 721	2 762	58
Dec. 1976	1 256 118 846	42 917	10 515	59 663 179	12 660 692	3 797	68
Dec. 1977	1 417 568 515	43 176	12 067	81 075 016	13 064 798	3 450	73
Dec. 1978	1 624 475 731	33 983	13 276	100 368 107	11 628 131	2 747	76
Dec. 1979	1 885 906 941	46 904	14 486	117 674 480	13 472 340	3 090	80
Dec. 1980	2 171 470 086	49 098	15 937	160 843 568	16 327 928	3 359	85
Dec. 1981	2 479 987 598	51 048	17 357	186 101 336	17 910 323	3 254	93
Dec. 1982	2 790 412 267	50 966	19 178	228 181 202	28 723 251	4 029	93
Dec. 1983	3 129 628 492	52 432	20 899	252 591 270	26 765 762	3 565	94
Dec. 1984	3 527 190 756	53 204	22 378	290 221 921	30 091 393	3 577	95
Dec. 1985	4 168 672 825	54 013	23 965	319 624 061	28 668 212	3 365	100
Dec. 1986	5 092 134 823	54 289	25 434	345 500 824	31 075 697	3 414	101
Dec. 1987	6 123 937 518	53 967	26 920	367 682 618	33 637 140	3 522	101
Dec. 1988	6 877 603 614	54 006	28 362	390 556 680	35 883 073	3 638	107
Dec. 1989	7 626 808 601	56 222	29 566	404 586 091	31 944 228	3 009	107
Dec. 1990	8 529 311 600	58 263	30 901	474 157 321	35 260 509	3 730	115
Dec. 1991	9 349 146 243	60 183	32 294	515 588 120	37 025 389	3 467	115
Dec. 1992	10 380 471 469	61 968	33 923	579 816 190	36 351 949	3 635	122
Dec. 1993	11 250 266 475	63 329	35 435	606 559 593	40 605 148	4 165	128
Dec. 1994	11 927 849 903	63 813	37 156	680 475 301	49 313 730	4 419	128
Dec. 1995	12 658 414 333	68 708	38 914	745 980 412	40 555 022	4 055	128
Dec. 1996	13 312 103 653	67 997	41 433	845 935 032	69 138 165	5 622	136
Dec. 1997	14 063 184 748	67 740	43 149	826 055 364	57 662 126	5 900	136
Dec. 1998	14 732 146 814	67 971	44 633	870 512 706	57 467 751	5 674	138

[a] Long year due to change in fiscal year effective 1 January 1974.

[b] Includes transfers under agreements.

[c] Breakdown of posts, including posts in the Investment Management Section, is provided in table 3.

Table 3
Summary of the operation of the Fund: 1971 through 1998

	Established posts				*Temporary posts*			
	Administrative		*Investments*		*Administrative*			
Year ending	*Professional*	*General Service*	*Professional*	*General Service*	*Professional*	*General Service*	*Total established posts*	*Total posts*
Sept. 1971	10	23	0	0	1	5	33	39
Dec. 1972	10	23	3	4	1	5	40	46
Dec. 1973	11	23	3	4	1	5	41	47
Dec. 1974	11	25	3	4	1	5	43	49
Dec. 1975	15	28	3	5	0	7	51	58
Dec. 1976	13	29	5	4	5	12	51	68
Dec. 1977	16	31	5	4	4	13	56	73
Dec. 1978	18	32	5	4	4	13	59	76
Dec. 1979	22	42	5	4	2	5	73	80
Dec. 1980	23	44	5	4	2	7	76	85
Dec. 1981	25	54	5	4	1	4	88	93
Dec. 1982	25	54	5	4	1	4	88	93
Dec. 1983	25	54	5	5	1	4	89	94
Dec. 1984	26	58	5	6	0	0	95	95
Dec. 1985	26	61	6	7	0	0	100	100
Dec. 1986	27	60	6	8	0	0	101	101
Dec. 1987	27	60	6	8	0	0	101	101
Dec. 1988	28	59	7	10	1	2	104	107
Dec. 1989	28	59	7	10	1	2	104	107
Dec. 1990	30	62	9	14	0	0	115	115
Dec. 1991	30	62	9	14	0	0	115	115
Dec. 1992	32	66	9	15	0	0	122	122
Dec. 1993	33	70	9	15	0	1	127	128
Dec. 1994	33	70	9	15	0	1	127	128
Dec. 1995	33	70	9	15	0	1	127	128
Dec. 1996	34	72	12	18	0	0	136	136
Dec. 1997	34	72	12	18	0	0	136	136
Dec. 1998	34	72	12	20	0	0	138	138

Annex II

Post requirements proposed by the Chief Executive Officer of the United Nations Joint Staff Pension Fund and post requirements recommended by the Standing Committee of the United Nations Joint Staff Pension Board

Table 1
Post requirements under administrative costs proposed by the Chief Executive Officer/Secretary

	Established posts		*Temporary assistance*		*Total*	
	1998-1999	*2000-2001*	*1998-1999*	*2000-2001*	*1998-1999*	*2000-2001*
Professional category and above						
Equivalent to ASG	1	1	0	0	1	1
D-1	2	3	0	0	2	3
P-5	5	6	0	0	5	6
P-4/3	25	27	2	0	27	27
P-2/1	1	1	0	0	1	1
Subtotal	**34**	**38**	**2**	**0**	**36**	**38**
General Service category						
Principal level	4	6	0	0	4	6
Other level	68	75	5	0	73	75
Subtotal	**72**	**81**	**5**	**0**	**77**	**81**
Grand Total	**106**	**119**	**7**	**0**	**113**	**119**

Table 2
Post requirements under administrative costs as recommended by the Standing Committee

	Established posts		*Temporary assistance*		*Total*	
	1998-1999	*2000-2001*	*1998-1999*	*2000-2001*	*1998-1999*	*2000-2001*
Professional category and above						
Equivalent to ASG	1	1	0	0	1	1
D-1	2	3	0	0	2	3
P-5	5	6	0	0	5	6
P-4/3	25	25	2	1	27	26
P-2/1	1	1	0	0	1	1
Subtotal	**34**	**36**	**2**	**1**	**36**	**37**
General Service category						
Principal level	4	5	0	1	4	6
Other level	68	72	5	2	73	74
Subtotal	**72**	**77**	**5**	**3**	**77**	**80**
Grand Total	**106**	**113**	**7**	**4**	**113**	**117**